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RECENT IMPORTANT DECISIONS.

BANKRUPTCY—INSOLVENCY—INDEBTEDNESS AS SURETY OR INDORSER.—In determining the question of insolvency of an alleged bankrupt the court held that his liability as surety or indorser of a solvent principal, who is possessed of property amply sufficient to liquidate such indebtedness, is not to be counted as a "debt." *In re Bowers* (D. C. Ga. 1914), 215 Fed. 617.

No authorities were cited in the opinion—indeed, there appear to be none directly in point—yet the holding seems sufficiently consonant with principle and sound reasoning to stand unsupported by precedent. It is observable that were the court passing upon the provability of such a claim against the estate of one legally adjudged bankrupt, an entirely different situation would have been presented. Such a liability, becoming absolute after the filing of the petition, was held provable against the bankrupt in *Moch v. Market St. Bank*, 107 Fed. 897, but in view of the language of the Supreme Court in *Dunbar v. Dunbar*, 190 U. S. 340, 350, it is doubtful if such liability, not yet become absolute, could be considered as a provable claim. But even if it could, the court in the principal case has found a way out of the dilemma; if this liability is to be considered as a "debt" the surety still cannot be adjudged bankrupt unless proved insolvent within the meaning of § 1 (15) of the Bankruptcy Act, prescribing that "a person shall be deemed insolvent * * * when the aggregate of his property * * * shall not * * * be sufficient in amount to pay his debts." Such showing is impossible, because at the time the petition was filed the alleged bankrupt's principal (for whom he was surety) was perfectly solvent and amply able to pay the debt for which he was primarily liable; moreover a surety has a right to reimbursement from his principal, and this right—even though still inchoate—has been held to be a debt owing by the principal to the surety (*Hayer v. Comstock*, 115 Iowa 187; *Sweeney v. Baugher*, 166 Ind. 557; *Smith v. Wheeler*, 66 N. Y. Supp. 780, 55 App. Div. 170; but see contra, *Goding v. Rosenthal*, 180 Mass. 43; *Williams & Co. v. U. S. Guaranty Co.*, 11 Ga. App. 635.) Therefore if it be claimed that the alleged bankrupt is indebted on his undertaking as surety, he has, by virtue of that very fact, a right against his principal, and as his principal is solvent, this right is added to the assets of his estate, and he is still solvent.

BANKRUPTCY—PREFERENCE—PROCEEDS OF INSURANCE POLICY.—A corporation (subsequently adjudicated bankrupt) mortgaged its property to secure a part of its debt to the defendant company, and the trustee under the mortgage insured the property covered thereby, the policies being payable to the mortgage trustee. Part of the property was destroyed, and the value thereof was paid by the insurance companies to the mortgage trustee. On the order of the mortgagor the mortgage trustee turned over \$15,000 of the insurance money to the defendant company to apply on its *unsecured* indebtedness; the remainder of the insurance money was applied on the mortgage